U.S. – Mexico Cross Border Trucking

A Briefing Book

These materials are provided by Pillsbury Winthrop Shaw Pittman LLP on behalf of the Mexican Government. Additional information is on file with the U.S. Department of Justice, Washington, D.C.

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Myths vs. Reality

Fundamental misconceptions surround the U.S.-Mexico Cross-Border Trucking Demonstration Program. As a result, opponents are often poorly informed and misled about the program's safety as well as about the legality of Mexico's response to the U.S. Congress' recent termination of the program. The following examination sheds light on half a dozen of these myths and the realities that provide a better understating of the program.

2009 AUG 31 PM 4: 29

MYTH: The Bush Administration rushed to establish the original demonstration program.

REALITY: The North American Free Trade Agreement (NAFTA) called for cross-border trucking to be phased in beginning in 1995. After 12 years of U.S. delay, the Bush Administration chose to begin living up to the U.S. commitment to NAFTA and launched the cross-border trucking demonstration program in September 2007.

MYTH: Mexican trucking companies that participated in the Cross-Border Trucking Program did not meet U.S. safety standards and threatened the safety of the U.S. public. Mexican trucks, driver licensing and safety rules did not meet U.S. legal requirements.

REALITY: U.S. safety standards were fully enforced under the program. Only companies satisfying all U.S. standards were allowed to participate. U.S. Department of Transportation officials conducted on-site safety inspections of Mexican trucks in Mexico before they entered the U.S., and checked maintenance, insurance and other standards to make sure that they complied with U.S. requirements. U.S. DOT officials also performed on-site inspection of Mexican drivers to ensure that they met the same safety standards as U.S. truckers. All Mexican drivers are registered in an electronic database, shared with U.S. authorities, which contains biometric, personal and medical information.

Mexican trucks have met all of the safety standards required by the original trade agreement as well as 22 additional safety requirements created by Congress in 2002. These 22 requirements are more onerous than safety requirements imposed on U.S. participants in the demonstration program. Additional provisions were introduced in 2007 and, once again, all were met.

During the demonstration program's 18 months of operation, 26 Mexican carriers (with 103 trucks) and 10 U.S. carriers (with 61 trucks) crossed the border more than 45,000 times without a significant incident. Moreover, according to reports of both the U.S. DOT's Inspector General and an independent evaluation panel, Mexico's participating carriers have a safety record far better than that of all other carriers operating in the U.S.

MYTH: The tariffs applied by the Mexican government in reaction to the termination of the demonstration program are illegal. There is no legal basis for their implementation.

REALITY: The tariffs are a legal, measured response to termination of the trucking program. In accordance with NAFTA, Mexican trucks should have been allowed access to U.S. border states in 1995, and by 2000, should have had nationwide access. Mexico's decision to apply tariffs is in full compliance with a final report issued by a five-member NAFTA dispute resolution panel in 2001, chaired by a Briton and including two U.S. members, which unanimously found the U.S. to be in violation of its NAFTA trucking commitments. Thus there has been nothing illegal about Mexico's actions, and no violation of treaties or agreements.

Mexico could have suspended U.S. trade benefits 30 days after the publication of the 2001 report if a mutually satisfactory solution was not found. Instead, as it has done over the last 14 years, Mexico withheld such action and sought a constructive solution to continued U.S non-compliance with its treaty obligations. The cancellation of the trucking demonstration program left the Mexican government with no choice but to impose countermeasures after years of restraint and goodwill.

MYTH: The 89 products targeted for tariffs by the Mexican government were illegally selected.

REALITY: The products were selected in full compliance with NAFTA provisions, which state that if a complaining party considers it impracticable or ineffective to suspend benefits in the same sector or sectors under dispute, it may suspend benefits in other sectors. It is precisely because of the importance of cross-border trucking services (which carry approximately 70% of all bilateral trade) to North America's competitiveness that Mexico is allowing continued access to U.S. carriers under the now-defunct demonstration program.

MYTH: Mexico has no legal basis to set trade sanctions on the United States that impose greater costs than the supposed costs on the Mexican economy.

REALITY: The amount of trade sanctions imposed by Mexico represents the lost income of Mexican carriers for the lack of U.S. compliance with its NAFTA cross-border trucking commitments. Mexico has taken a conservative and reasonable approach, increasing import tariffs on U.S. goods for an amount equivalent to the lost income of Mexican carriers.

MYTH: Even if Mexican carriers meet all U.S. safety requirements, the low wages of Mexican drivers will still drive U.S. trucking companies out of business.

REALITY: When all other arguments fail, trucking opponents turn to the argument of allegedly unfair competition from lower wages of Mexican drivers and call for a renegotiation of NAFTA. Their opposition has never been about the safety of American roads or drivers; it was and continues to be about protectionism, pure and simple.

In 2007, U.S. exports to Mexico reached $140 billion, making it the second most important destination abroad for U.S. goods. Today, Mexico is ranked among the top five export destinations for 33 U.S. states. NAFTA has benefited Mexican and U.S. consumers and producers.

By blocking access to Mexican trucks, a serious blow is being inflicted upon U.S. businesses at a time when competitiveness is most crucially needed. The Mexican government will continue to work actively and responsibly during the coming weeks and months with the U.S. to find a solution that will allow safe Mexican trucks onto U.S. roads under NAFTA rules.

THE DATA BEHIND THE SAFETY OF MEXICAN TRUCKS AND DRIVERS

Congressional critics of the cross-border trucking demonstration program repeatedly have made misleading claims about the safety of Mexican carriers and drivers and about the availability of Mexican databases on drug and alcohol testing, on vehicle and driver violations, on insurance and on accidents. The following shows why all of these claims are wide of the mark.

I. Safe Mexican Carriers

Both the Inspector General's Status Report on the demonstration project, issued on February 6, 2009, and the Independent Evaluation Panel Report, dated October 31, 2008, found that Mexican trucks not only were safe but that they were safer than their U.S. counterparts.
As the Inspector General Report remarked, Mexican carriers "had a driver out-of-service rate of 0.46 percent and a vehicle out-of-service rate of 8.29 percent. In contrast, U.S. carriers had a driver out-of-service rate of 6.94 percent and a vehicle out-of-service rate of 21.72 percent."
The Independent Evaluation Panel Report show similar results, with only slightly different numbers, as reflected in the following from its report:

Out-of-Service (OOS) Rates for Demonstration Project Carriers and U.S.-Domiciled Carriers: September 7, 2007, to September 6, 2008

Carrier categories	Number of carriers	Driver OOS rate	Vehicle OOS rate
Demonstration project carriers	27	0.5%	8.7%
All U.S.-domiciled carriers (2007)	690,000	7.2%	22.6%
U.S.-domiciled new-entrant carriers	71,000	13.3%	28.0%

II. Drug and Alcohol Testing

Similarly, the Inspector General and Independent Evaluation Panel both found that Mexico's system for collecting and testing for drugs and alcohol "was at least equivalent to U.S. requirements in most respects." This, the Independent Panel noted, included "a key requirement to use drug-testing laboratories certified by the U.S. Department of Health and Human Services."

III. COMMERCIAL DRIVER'S LICENSE (AND OTHER) DATABASES

Finally, while some critics have questioned the availability of a Mexican database on commercial drivers' licenses (CDL) and other issues, the evaluations make clear that these criticisms are far wide of the mark. As the Independent Evaluation Panel stated:

"We verified that Mexico has databases with information on the safety records of drivers engaged in commercial motor vehicle operations, on vehicle and driver violations, and on truck crashes. Officials with Mexico's Department of Transportation, the Secretaría de Comunicaciones y Transportes (SCT), indicated that the database of drivers' licenses is well established and that coverage of licensed drivers and system reliability have improved over the past five years. Additionally, SCT has databases for commercial motor carrier inspections and crash data that are fairly recent and are undergoing improvements in terms of numbers of inspections and reportable accidents that are entered into the system. These databases cover inspections and incidents on Mexican federal roads and have three years of carrier- and driver-specific data on commercial motor vehicle operations."

The Office of the Inspector General not only agreed that "Mexico was making progress in improving inspection and accident databases" but added that DOT's "automated Licensing and Insurance and Mexican Monitoring systems are working well to identify infractions of motor carrier safety rules and regulations and initiate enforcement actions."

U.S.-MEXICO CROSS-BORDER TRUCKING

A Chronology

A. 1980's

PRE-1982: Any Mexican motor carrier could apply – on equal terms with U.S. carriers – to operate in the United States.

1982: After U.S. carriers demanded reciprocal access into Mexico and Canada, Congress voted to halt U.S. authority for foreign carriers until reciprocity was provided. Mexican truckers with existing U.S. service were grandfathered in (hundreds of Mexican carriers currently are authorized to travel throughout the United States), and limited "commercial zones" were created on each side of the border.

B. 1990's

DECEMBER 1992: The NAFTA was signed. In Annex I, the United States and Mexico agreed to allow each others' trucks access to border states by December 18, 1995 and to fully implement NAFTA's crossborder trucking provisions in all states by January 1, 2000. Mexican carriers were not authorized to pick up U.S. goods for U.S. delivery.

DECEMBER 18, 1995: On the very day that the cross-border trucking provision was to be implemented, the Administration, alleging safety reasons, suddenly announced that the Department of Transportation (DOT) would not process any Mexican motor carrier applications. Thus began a long political and legal campaign, orchestrated chiefly by the Teamsters union, to kill the cross-border trucking provision.

SEPTEMBER 22, 1998: The Government of Mexico requested the formation of a NAFTA Chapter XX Panel to resolve the dispute regarding the U.S. failure to phase out restrictions on cross-border trucking services and on Mexican investment in the U.S. trucking industry as agreed in the NAFTA.

C. 2001-2004

FEBRUARY 2001: After years of fruitless discussions, a five-member NAFTA dispute-settlement panel – chaired by a Briton and including two U.S. members – ruled unanimously that the blanket exclusion of Mexican trucking firms violated U.S. obligations under the NAFTA and that Mexico was entitled to retaliate against U.S. goods.

JUNE 5, 2001: President Bush lifted the moratorium on Mexican investment in U.S.-domiciled carriers with a memorandum to the Secretary of Transportation.

DECEMBER 18, 2001: In the fiscal 2002 Transportation Appropriations Act, Section 350 required DOT to implement 22 requirements to verify the safety and financial status of Mexican carriers.

2002: DOT published rules complying with all Section 350 mandates. However, a legal challenge to DOT's rules by organized labor and others, claiming that an environmental study was required first, again blocked Mexican carriers from traveling beyond the 25-mile commercial zone.

JUNE 2004: The Supreme Court unanimously held that the DOT rules were consistent with federal laws and standards, meaning that an environmental study was not required.

D. 2007-2009

FEBRUARY 23, 2007: The U.S. and Mexico announced a modest demonstration project to begin fulfilling U.S. obligations under the NAFTA's cross-border trucking provisions.

MAY 15, 2007: The Iraq Supplemental Appropriations bill conditions the implementation of the cross-border trucking provision on a reciprocal program to demonstrate the safety of participating carriers.

JUNE 8, 2007: DOT announced more *Federal Register* details about the test program and sought further comments. DOT said it had met its obligations under the spending law's mandate that the trial program comply with Section 350 of the 2002 Transportation Appropriations Act and Section 36901 of the Iraq Supplemental Appropriations.

AUGUST 31, 2007: The 9th Circuit Court of Appeals denied a request by the Teamsters union, the Sierra Club and others for an emergency stay to block DOT implementation of the trucking demonstration program. The Owner-Operator Independent Drivers Association later filed another emergency stay request in the U.S. Appellate Court in D.C. That request was also denied.

SEPTEMBER 6, 2007: DOT's Inspector General submitted his report to Congress, required before the demonstration program could begin.

SEPTEMBER 9, 2007: The demonstration program's first trucks from Mexico rolled across the border to deliver goods to New York state and South Carolina, while the first U.S. truck in the test delivered goods several days later more than 250 miles into Mexico.

DECEMBER 26, 2007: The President signed the fiscal 2008 transportation funding bill, which included a provision denying funds for DOT to "establish" a trucking demonstration program but not to continue an existing one.

JULY 10, 2008: The Senate Appropriations Committee voted, 20-9, to include (in the Transportation Housing and Urban Development funding bill) an amendment to kill the cross-border program.

AUGUST 4, 2008: The U.S. and Mexico announced that they would extend the existing test program for two years. The extension was intended to encourage added participation.

OCTOBER 31, 2008: An Independent Review Panel established under the demonstration program found that Mexican carriers participating in the program had better safety records than U.S.-domiciled carriers.

FEBRUARY 2009: DOT Inspector General's report states Mexican carriers have a better safety record than U.S. carriers.

MARCH 10, 2009: Congress passed the FY 2009 Omnibus Spending Bill, which contained language that blocked all funding for the U.S. cross-border demonstration program.

CURRENT STATUS: Mexico increased import duties on 89 US products, whose total export value in 2008 was $2.4 billion.

U.S.-MEXICO CROSS-BORDER TRUCKING DEMONSTRATION PROGRAM

Fact Sheet

The North American Free Trade Agreement (NAFTA) called for cross-border trucking to be phased in starting in 1995. In September 2007, after 12 years of delay, the United States began living up to the promise it made in the NAFTA by launching the U.S.-Mexico cross-border trucking demonstration program.

The program allowed a modest number of Mexican trucks to travel beyond the 25-mile border "commercial zone" to which they have been restricted, while offering reciprocal access to U.S. trucks in Mexico. Unfortunately, the U.S. Congress included a provision in the fiscal 2009 omnibus appropriations bill terminating the program in March 2009.

STREAMLINING THE SYSTEM

The demonstration program was intended to start streamlining the antiquated trucking system that carries 70% of the $370 billion of U.S.-Mexico trade. At present, multiple trucks and drivers are required for each truckload of Mexican cargo. When a Mexican long-haul truck nears the United States, its cargo generally must be transferred to older, smaller "drayage" vehicles that shuttle goods to the border, idle in long lines waiting to be processed, and then travel within the 25-mile commercial zone. Their cargoes are then transferred again to a single U.S. long-haul truck for delivery to their final destination.

NO SAFETY PROBLEMS

During the 18 months of its operation, the demonstration program showed that Mexican trucks and drivers operated safely on U.S. highways. Twenty-six Mexican carriers (with 103 trucks) and 10 U.S. carriers (with 61 trucks) crossed the border more than 45,000 times without a significant incident.

This commendable record should come as no surprise:

- **U.S. officials and independent panels repeatedly have affirmed that Mexican trucks are as safe or safer than U.S. vehicles:**
    - In February 2009, the U.S. DOT Inspector General reported that Mexican carriers in the demonstration program had a better safety record than U.S. carriers.
    - In October 2008, an Independent Review Panel established under the demonstration program similarly found that Mexican carriers in the program had better safety records than U.S.-domiciled carriers.
    - The Federal Motor Carrier Safety Administration's (FMCSA) comprehensive pre-approval criteria included verifying drivers' Commercial Driver's License and Mexican Licencia Federal, checking compliance with hours-of-service rules, and verifying presence of a drug- and alcohol-testing protocol. The demonstration program's GPS system provided the data necessary to verify hours-of-service.

- **The number of Mexican carriers that participated in the demonstration program is a mere fraction of the Mexican truckers already authorized to travel throughout the United States.** Mexican-domiciled carriers that are majority U.S.-owned have long been permitted to travel anywhere in the United States – and have had no notable safety problems. At present, hundreds of these Mexican trucking firms are authorized to drive U.S. highways.

- **U.S. inspectors conducted on-site safety audits, in Mexico, of Mexican trucks participating in the program.** These inspections ensured that those trucks and drivers met the same safety, insurance, licensing, maintenance, drug and alcohol testing and other standards that apply to U.S. trucks and truckers, and in some cases the standards exceed those required of U.S. trucks or those from Canada, our other NAFTA partner. Only those satisfying all U.S.-specified standards have been allowed in the demonstration program. Each Mexican truck has then undergone an additional safety check every time it crosses the border.

GREATER U.S. SECURITY

The trucking demonstration program also improved U.S. security. This was because of (a) the initial on-site safety audits in Mexico, (2) the additional safety checks each time the trucks crossed into the United States, and (3) the fact that replacing many short-haul vehicles with fewer long-haul trucks reduced the number of drivers and vehicles that had to be cleared at the border.

INCREASED COMPETITIVENESS

The current truck transportation system not only bloats producer and consumer prices. It also fails to fulfill the benefits (particularly lower transportation costs) that stem from U.S.-Mexico proximity – a key NAFTA advantage. Doing so now clearly would boost U.S. and North American productivity and competitiveness against economic rivals.

LESS BORDER POLLUTION

Finally, the demonstration program promised to reduce emission of pollutants in border regions. Large numbers of older, short-haul vehicles, whether idling or driving, contribute more heavily to air pollution problems in border areas than do the more modern (and fewer) long-haul vehicles in the demonstration program.

U.S. PARTICIPANTS IN THE DEMONSTRATION PROGRAM REPRESENTED GEOGRAPHICALLY DIVERSE STATES

U.S. carriers participating in the crossborder demonstration program represented states from the Northeast to the West Coast, including Pennsylvania, Ohio, Oklahoma, Illinois, Texas and California. These carriers and their Mexican counterparts delivered a wide variety of products, from tomatoes, grapes and wines, to cement, electronic components and plastic resins -- to and from 12 states in Mexico and 22 U.S. states.

Safety Requirements Added by Congress in 2002

Section 350 of the Conference Report accompanying the fiscal year 2002 Transportation Appropriations bill outlined a series of requirements for Mexican trucks operating in the United States above and beyond the requirements for U.S. and Canadian Trucks. The conference language mandated that all of these requirements must be met before the crossborder program could operate.

On the following page is the U.S. Department of Transportation's checklist of the 22 safety requirements that were met before the demonstration program began operating.

All 22 Congressional Safety Mandates Have Been Met

The Department of Transportation has developed a plan to:

- ✔ Establish mandatory pre-authority safety audits
- ✔ Conduct at least 50 percent of the safety audits on-site in Mexico
- ✔ Issue permanent operating authority only to Mexican trucking companies who pass safety compliance review
- ✔ Conduct at least 50 percent of the compliance reviews on-site in Mexico - including any who did not receive an on-site pre-authority audit
- ✔ Check the validity of the driver's license every time a truck crosses the border
- ✔ Assign Mexican truck companies a distinct DOT number
- ✔ Inspect all trucks from Mexico that do not display a current CVSA decal
- ✔ Have state inspectors in the border states report any violations of safety regulations by trucks from Mexico to U.S. federal authorities
- ✔ Equip all U.S.-Mexico commercial border crossings with weight scales - including weigh-in-motion (WIM) systems at 5 of the 10 busiest crossings
- ✔ Study the need for weigh-in-motion (WIM) systems at all other border crossings
- ✔ Collect proof of insurance by a U.S. certified insurance carrier from Mexican companies who want to operate beyond the border zone
- ✔ Limit trucks from Mexico operating beyond the border zone to cross the border only where a certified federal or state inspector is on duty
- ✔ Limit trucks from Mexico operating beyond the border zone to cross the border only where there is capacity to conduct inspections and park out of service vehicles
- ✔ Ensure compliance of all U.S. safety regulations by Mexican operators who wish to go beyond border zones
- ✔ Improve training and certification for border inspectors and auditors
- ✔ Study needed staffing along the border
- ✔ Prohibit Mexican trucking companies from leasing vehicles from other companies when they are suspended, restricted, or limited from their right to operate in the United States
- ✔ Forbid foreign motor carriers from operating in the United States if they have been found to have operated illegally in the United States
- ✔ Work with all state inspectors to take enforcement action or notify U.S. DOT authorities when they discover safety violations
- ✔ Apply the same U.S. hazardous materials driver requirements to drivers from Mexico hauling hazardous materials
- ✔ Provide $54 million in Border Infrastructure Grants for border improvements and construction
- ✔ Conduct a comprehensive Inspector General's review – to be certified by the Secretary - that determines if border operations meet requirements

April 7, 2009

2009 AUG 31 PM 4: 29
CRM/ISS/REGISTRATION UNIT

The Honorable Barack Obama
The White House
Washington, DC 20500

Dear Mr. President:

Due to the termination of the U.S. Department of Transportation's Cross Border Trucking Pilot Program with Mexico, the United States is now in violation of its bilateral trade obligations with Mexico on international trucking. On March 19, the Mexican government instituted retaliatory tariffs on $2.4 billion worth of U.S. manufactured and agricultural exports. The undersigned agricultural, manufacturing and services companies and associations urge you to work expeditiously to resolve this dispute and ensure the United States is upholding its bilateral trade obligations with Mexico.

Mexico is a top market for U.S. exports, providing millions of jobs to U.S. workers. The retaliation is already impacting the ability of a broad range of U.S. goods to compete in the Mexican market, from potatoes and sunscreen to paper and dishwashers. The retaliation measures have the potential to shut out the targeted U.S. products providing an opportunity for our foreign competitors to fill that void and establish themselves as the significant suppliers to Mexico. Over $1.5 billion in U.S. manufactured products and $900 million in U.S. agriculture products are impacted by the retaliatory tariffs. The retaliation puts over 12,000 agricultural and 14,000 manufacturing jobs at risk.

Mr. President, we strongly urge you to work with Congress and quickly resolve the Mexican trucking issue to end retaliatory tariffs. Until this issue is resolved, Mexico's retaliation will continue to economically harm U.S. farmers, manufacturers and service providers and those who work in these industries. This is something our country cannot afford.

Sincerely,

American Apparel & Footwear Association (AAFA)
American Chamber of Commerce of Mexico, A.C.
American Cotton Shippers Association
American Farm Bureau Federation
American Feed Industry Association
American Forest & Paper Association
American Frozen Food Institute
American Institute for International Steel
American Meat Institute
American Nursery & Landscape Association
American Peanut Council
American Peanut Product Manufacturers, Inc.

American Peanuts Shellers Association
American Seed Trade Association
American Soybean Association
Appleton
Apricot Producers of California
Archer Daniels Midland Company
Association of Equipment Manufacturers
Association of Home Appliance Manufacturers
Blue Diamond Growers
Bunge
Business Roundtable
California Agriculture Issues Forum
California Cherry Export Association
California Farm Bureau Federation
California Fig Advisory Board
California Grain and Feed Association
California Grape & Tree Fruit League
California Grape and Tree Fruit League
California League of Food Processors
California Pear Advisory Board
California Pear Growers
California Seed Association
California Strawberry Commission
California Table Grape Commission
California Tomato Growers Association
Campbell Soup Company
Cargill, Incorporated
Caterpillar
Chiquita Brands
Commodity Markets Council
ConAgra Foods, Inc.
Consumer Electronics Association
Continental Express, Inc.
Corn Refiners Association
CropLife America
Distilled Spirits Council of the United States
Emergency Committee for American Trade (ECAT)
Fashion Accessories Shippers Association (FASA)
The Fertilizer Institute
Free Trade Alliance
Frozen Potato Products Institute

General Electric Company
General Mills, Inc.
Georgia Fruit and Vegetable Growers Association
Glanbia Foods
Grocery Manufacturers Association
Grower-Shipper Association of Central California
Grower-Shipper Association of Santa Barbara and San Luis Obispo Counties
Herbalife International of America, Inc.
Hormel Foods Corporation
International Dairy Foods Association
JR Simplot Company
Kraft Foods
Louis Dreyfus Commodities
'Magination Consulting International
Mars Incorporated
Mary Kay Inc.
National Association of Manufacturers
National Association of Wheat Growers
National Barley Grower's Association
National Beef Packing Company
National Cattlemen's Beef Association
National Chicken Council
National Christmas Tree Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Electrical Manufacturers Association (NEMA)
National Foreign Trade Council
National Grain and Feed Association
National Grange
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Potato Council
National Sorghum Producers
National Sunflower Association
National Turkey Federation
National Watermelon Association
Nisei Farmers League
North American Equipment Dealers Association
North American Millers' Association

Northwest Horticultural Council
Ocean Spray Cranberries, Inc.
Ohio Alliance for International Trade
Oregon Association of Nurseries
Pacific Egg and Poultry Association
Personal Care Products Council
Pet Food Institute
Plastic Express
The Procter & Gamble Company
Produce Marketing Association
Retail Industry Leaders Association (RILA)
Seaboard Foods LLC
Smithfield Foods
Sweetener Users Association
TBM Carriers, Inc
TechAmerica
Texas Citrus Mutual
Texas Vegetable Association
Travel Goods Association (TGA)
Truss World, Inc.
Tyson Foods
U.S. Grains Council
U.S. Apple Association
U.S. Association of Importers of Textiles and Apparel
U.S. Canola Association
U.S. Chamber of Commerce
U.S. Meat Export Federation
U.S. Premium Beef
U.S. Wheat Associates
Unilever United States
United Egg Association
United Egg Producers
United Fresh Produce Association
United States - Mexico Chamber of Commerce
United States Council for International Business
United States Dry Bean Council
US Dairy Export Council
US Hides, Skins and Leather Association
US Rice Producers Association
USA Dry Pea and Lentil Council
USA Poultry & Egg Export Council

USA Rice Federation
Ventura County Agricultural Association
Wal-Mart Stores, Inc.
Western Growers Association
Western Peanut Growers Association
Western United Dairymen
Wine Institute

Cc: Secretary Ray LaHood, U.S. Department of Transportation
Cc: Ambassador Ron Kirk, U.S. Trade Representative

February 19, 2009

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned U.S. carriers, urge you not to forsake us for the narrow special interests seeking to kill a trial program that is proving the value and safety of U.S.-Mexico cross-border trucking.

Under the U.S.-Mexico Crossborder Trucking Demonstration Program, for the first time in over a quarter century, U.S. carriers are delivering American products deep into Mexico, saving our companies money and time, and reducing prices to the benefit of consumers on both sides of the border.

While the demonstration program is modest, our companies represent both states near the border with Mexico and places as far away as Ohio, Pennsylvania and Illinois. Consider just some of our successes, achieved with virtually no safety problems:

- One carrier has saved more than $50,000 a month by cutting costs for fuel, operators, the extra transfer fees required by today's convoluted cross-border trucking system and other items. At an annual rate, that means savings of more than $500,000, prompting the company to develop plans to register more vehicles in the test program.

- Another company, which transports a granulated resin used widely in the plastics industry, has made 1,225 crossings, saving an estimated $188,000 in transfer fees in nine months and yielding other savings in fuel and related expenses. The direct crossings have reduced delivery times by about an hour per crossing, or an estimated total of 1,225 hours.

- A third carrier opened a terminal in San Diego, California and staffed it with six new people to handle its cross-border business. From that location the carrier delivered more than 700 loads into Mexico in the past 12 months, plus another 220 from its Los Angeles County locations, employing another two individuals.

- Another company has found that the test program yielded estimated transfer-fee savings of more than $93,000 over eight months, travel-time savings of 1,500 hours and other benefits.

The companies participating in the demonstration program have a proven record of safe operations on both sides of the border. In fact, an independent panel review issued last October found that participating companies had a lower out of service rate than other carriers in the United States. It is disappointing that Congress continues to try to terminate the demonstration program for political reasons that have nothing to do with the safety of American drivers and roads. The costs of terminating the program would be borne by producers and consumers in the United States and Mexico.

U.S. companies look forward to continuing to participate in the demonstration program, putting safety first while we expand our operating authority and increase the number of trucks crossing the border with goods produced in the United States. We are committed to the program and proud to lead the way in demonstrating the competitiveness of the transportation industry.

Sincerely,

Stage Coach Cartage & Distribution LP (TX)
IBC, Inc. (CA)
Plastic Express (CA)
A&R Transport Inc. (IL)
Atlas Transport Service LLC (CA)
Continental Express, Inc. (OH)
ACS Fleet Services (OK)
Truss World, Inc. (TX)
TBM Carriers, Inc (CA)

March 25, 2009

Dear Members of the California Congressional Delegation,

In this time of economic distress, when more than one in 10 Californians are out of work and the repercussions are felt throughout our great state, we must do all we can to boost trade with our international partners - not stifle it. And yet I am afraid that the prohibition recently placed on Mexican truckers will do exactly that, with the result being markets functionally closed to our goods and thousands more Californians unemployed at a time when we can quite literally least afford it.

Drought and the broader national economic crisis have already punished the agricultural community of California severely. Now this community faces even more job losses and economic devastation because the United States has acted voluntarily to violate its commitments under the North American Free Trade Agreement. Uncertainty has also dropped upon workers in other sectors of our economy due to Mexico's retaliatory sanctions.

As you are well aware, Mexico is California's largest trading partner. With our increasingly connected world economy, it's critical that we work with Mexico to build the partnerships that will drive economic development and job growth in the years ahead. I understand the concerns surrounding long-haul trucking from Mexico, and that is why my administration has been very closely monitoring the Cross-Border Truck Safety Inspection Program. As I told Transportation Secretary LaHood two weeks ago, ensuring the safe conditions and operations of all vehicles on our nation's roadways must be our highest priority.

But we must not allow safety to serve as a smokescreen for protectionist measures that cause more economic harm at a time when this country already has serious challenges to overcome. I am encouraged that Members of Congress met with Secretary LaHood today to discuss how the United States will honor its treaty commitments with Mexico. The termination of the pilot program has not made U.S. roads safer, but it has hurt the economy of California and the nation as a whole.

Beyond my concerns related to this particular episode, I am troubled by the disturbing signals it sends to our most valued trading partners. In times of economic distress, the one sure way to worsen the plight of American workers is to retreat behind arbitrary and disingenuous protectionist walls. Now is precisely the time for Congress to further open markets to American products rather than raising additional barriers to trade.

I believe the White House is committed to a new long-haul trucking program. But it cannot happen without action from Congress, and I am writing to ask that California's representatives immediately take the lead in restoring a program to allow Mexican trucks to safely operate within the United States and allow Mexico to remove the retaliatory tariffs it has put in place. The people of California - tens of thousands of whom find employment producing everything from grapes to almonds to Christmas trees - depend upon it. My administration stands ready to assist in any way possible.

Sincerely,

Arnold Schwarzenegger

Media Packet

2009 AUG 31 PM 4: 29
CRM/ISS/REGISTRATION UNIT

These materials are provided by Pillsbury Winthrop Shaw Pittman LLP on behalf of the Mexican Government. Additional information is on file with the U.S. Department of Justice, Washington, D.C.

I. Farmers, exporters press for resolution of Mexico trade flap

Issue Date: June 17, 2009

By Ching Lee

Assistant Editor

More Information

Tariffs imposed by Mexico (PDF, 528 KB)

Warning that "the clock is ticking," agricultural exporters say they hope Congress will act soon to accept a new proposal to revise a cross-border trucking program that gives Mexican trucks access to U.S. highways.

In retaliation for the loss of access for its trucks, Mexico imposed trade tariffs on dozens of U.S. products, including many California-grown farm products. As harvests accelerate, California farmers and exporters say they will step up pressure on Congress and the Obama administration to resolve the dispute.

Transportation Secretary Ray LaHood said last month that the White House is reviewing a plan to renew cross-border trucking and that he hopes to take it to Congress this month for approval. He said the plan addresses the safety concerns that Congress cited when it killed funding to a 2007 pilot program that allowed Mexican trucks to haul goods into the United States.

Mexico said the ban on its trucks violates the 1994 North American Free Trade Agreement and responded by levying tariffs ranging from 10 percent to 45 percent on $2.4 billion worth of U.S. goods, including 27 California agricultural products worth $214 million in annual exports. Table grapes, apricots, strawberries, almonds, cherries, lettuce, Christmas trees, pears, dates, onions and wine are some of the affected products.

The dispute arose in February when labor unions convinced lawmakers to insert a provision in government-spending legislation that effectively ends the cross-border trucking program as required by NAFTA.

"Since Mexico's retaliation, Farm Bureau has engaged with Congress and the administration for the need to comply with NAFTA, and we fully expect that the tariffs will be lifted once that occurs," said Josh Rolph, director of international trade and farm policy for the California Farm Bureau Federation.

But he also acknowledged that the organization's efforts are competing against a large volume of calls from opponents who want to keep Mexican trucks out of the U.S. To counter that message, Rolph said the Farm Bureau is working with local and national agricultural groups to inform government officials that California farmers simply cannot wait another day without a fix.

"Not only is this a continually worsening situation right now for 27 of our crops and products, but there is also a real threat that it could worsen if Mexico were to slap tariffs on more commodities," he said. "That is the message our elected officials need to hear."

Many of the fresh products on the list are currently in season and being shipped to Mexico. Because the new tariffs will make California agricultural products more expensive, the state stands to lose as much as half of its overall exports to Mexico, with some markets possibly eliminated, farm advocates say.

"There's no question that the 20 percent tariff (being imposed on apricots) is having an impact," said Barry Bedwell, president of the California Grape and Tree Fruit League, which administers exports of apricots, peaches, plums and nectarines to Mexico.

He noted that the state this year shipped only about 14,000 boxes of apricots to Mexico, compared to 64,000 boxes last year, a 78 percent decline. California's shipping season wrapped up this week.

Bedwell said while frost damage resulted in a lighter crop this year and may account for some of the reduced shipments to Mexico, "exports are clearly down" because of the new tariffs tacked on in mid-March.

Mexico has now become the single-biggest export market for California tree fruit, although apricots represent a minor portion of the 3.6 million boxes of stone fruit that went to the NAFTA partner last year. Even so, Bedwell said the impact that the tariff is having on apricots is just a "preview" of what's to come with other crops on the list.

"Our major concern is, if we're down this much on apricots on a very small market, you can imagine what might happen to table grapes with a 45 percent tariff compared to the 20 percent with apricots," Bedwell said.

Kathleen Nave, president of the California Table Grape Commission, shares the same concern and said the organization has been "working really hard" to encourage the Obama administration to put a new trucking program in place by July. That's when the San Joaquin Valley starts shipping grapes to Mexico, the state's No. 2 export market for table grapes. Last year California packers shipped 5.5 million boxes of grapes worth $58 million to Mexico, she said.

But with the 45 percent tariff, Nave said, "it's our expectation that if we ship 25 percent of what we normally ship, we would be lucky."

She noted that Coachella Valley growers began shipping grapes the first week of May, although only a small proportion of that crop typically goes to Mexico. The bulk comes from the San Joaquin Valley, with October through December being the peak months for exports to Mexico.

According to the Department of Transportation, the new trucking program being proposed would require checks on mechanical standards for Mexican trucks; regulation of the maximum hours of service for drivers; stricter driver license checks and possibly

checks on the process for obtaining a license. LaHood has said he hopes to have the program reinstated by early summer.

Nave said she expects the issue will be "the focus of attention pretty soon" in Congress and that the new trucking program might have already moved forward had it not been for other issues such as the H1N1 flu that had taken the front seat in Washington.

But Bedwell said having a full plate is a "poor excuse" for lawmakers' inaction on the trucking issue.

"These people should be pretty adept at multi-tasking," he said. "I quite frankly am frustrated by the lack of the sense of urgency that I believe some of our representatives have demonstrated, and we need to do a better job in communicating that sense of urgency."

He said farmers and exporters need to continue to put pressure on House and Senate members to find a resolution and end Mexican duties on U.S. exports.

"I just hope we have some good news within the near future on some kind of breakthrough on an agreement, because the clock is definitely ticking," Bedwell said.

(Ching Lee is an assistant editor of Ag Alert. She may be contacted at clee@cfbf.com.)

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Congress Doesn't Respect Nafta

By ARTURO SARUKHAN

Wall Street Journal, March 18, 2009

Nobody can argue that Mexico hasn't worked tirelessly for more than a decade to avoid a dispute with the United States over Mexican long-haul trucks traveling through this country. But free and fair trade hit another red light this past week. The U.S. Congress, which has now killed a modest and highly successful U.S.-Mexico trucking demonstration program, has sadly left my government no choice but to impose countermeasures after years of restraint and goodwill.

Then and now, this was never about the safety of American roads or drivers; it was and has been about protectionism, pure and simple. Back in 1995, the U.S. unilaterally blocked the implementation of the North American Free Trade Agreement's cross-border trucking provisions, just as they were about to enter into force. In response, and after three years of constant engagement, Mexico had no alternative but to request the establishment of an arbitration panel as allowed under Nafta. A five-member panel, chaired by a Briton and including two U.S. citizens, ruled unanimously in February 2001 that Washington had violated the trucking provisions contained in Nafta, authorizing Mexico to adopt retaliatory measures. Yet once again, Mexico exercised restraint and sought a resolution of this issue through further dialogue.

Unfortunately, Mexico's forbearance only seemed to make matters worse. In 2002, Congress introduced 22 additional safety requirements that Mexican trucks would have to meet, a measure that was clearly discriminatory as these requirements were not applied to U.S. and Canadian carriers operating in the U.S. Mexico worked assiduously with the U.S. administration to find a solution to this problem.

Finally, in 2007 an agreement was reached that included the implementation of a demonstration program in which up to 100 carriers from each nation would be allowed to participate. This program was designed precisely to address the concerns voiced by those opposed to cross-border trucking. The demonstration program, launched in September 2007, was an unmitigated success. During the 18 months that the program was in operation, 26 carriers from Mexico (with 103 trucks) and 10 from the U.S. (with 61 trucks) crossed the border over 45,000 times without any significant incident or accident. Moreover, according to reports of both the Department of Transportation's inspector general and an independent evaluation panel, Mexico's carriers participating in the program have a safety record far better than that of all other carriers operating in the U.S.

The demonstration program also underscored the benefits of free and fair cross-border trade, given the lower costs that would result from ending the requirement that short-haul trucks be used to transfer cargo at the border from the long-haul trucks of one country to those of the other. Thus, for example, one participating carrier saved over $600,000 a year by cutting trip times and fuel costs, while another saved an estimated $188,000 in transfer fees in the nine months that it participated in the demonstration program.

These savings benefit consumers and enhance North American competitiveness. Moreover, a streamlined system would also cut pollution, since fewer and newer Mexican long-haul trucks would replace smaller and older trucks that now huff and puff their way to the border. Unfortunately, notwithstanding these benefits to businesses and workers, and to the safety of our roads and the health of our environment, a small but vocal group has consistently blocked progress on this issue. It has now finally managed to stop the demonstration program by defunding it through the 2009 omnibus spending bill.

In confronting this situation, the government of Mexico -- after over a decade of dialogue and engagement in which it has asked for nothing more than U.S. compliance with its international commitments and with the rules of the game that provide for a level playing field -- has had no alternative but to respond by raising tariffs on 90 U.S. products that account for approximately $2.4 billion in trade. It is worth noting that this takes place shortly after Mexico announced it would unilaterally reduce its industrial tariffs from an average of 10.4% in 2008 to 4.3% by 2013, and that it has underscored its commitment, along with its other G-20 partners, to push back on protectionist pressures.

What has been particularly frustrating in this long and uphill battle has been the fact that the U.S. Congress continues to move the goalposts. Today, opponents within Congress continue to allege concerns related to the safety of America's roads -- yet they cancelled the very program designed to address such concerns, and which had been producing positive results. After all, the cross-border trucking program that was defunded had been demonstrating not only compliance by Mexico's long-haul trucks with U.S. regulations, but a superb and unmatched record of safety. It is precisely because of our firm belief in the importance of cross-border services that the government of Mexico will continue, as a sign of good-faith and notwithstanding the countermeasures announced early this week, to allow U.S. carriers to provide trucking services into Mexico under the now-defunct demonstration program guidelines and criteria.

Mexico is the U.S.'s second-largest buyer of exports. It remains a steadfast supporter of free and fair trade, and will continue to work actively and responsibly during the coming weeks and months with Congress and the administration to find a solution that will allow safe Mexican trucks onto U.S. roads under Nafta rules.

Mr. Sarukhan is Mexico's ambassador to the United States.

Forbes.com

Mexico Is Right To Retaliate On Trade

Sidney Weintraub, 03.20.09, 12:01 AM ET

Mexico announced, effective March 19, tariff increases ranging between 10% and 45% on 90 products whose imports from the U.S. amount to $2.4 billion. This was done because President Obama earlier in the month signed a spending bill that removed funding for a pilot program that allowed designated Mexican trucks to bring cargo directly to destinations in the U.S. Mexico's retaliation was neither rash nor hurried in that this issue has been in dispute since 1995.

The U.S. government agreed in the North American Free Trade Agreement to allow Mexican trucks to bring cargo to destinations in the four border states (California, Arizona, New Mexico and Texas) in 1995, and this action was "delayed" at the urging of the U.S. Teamsters Union.
The U.S. commitment to allow Mexican trucks to bring cargo to destinations throughout the U.S. in 2000 was not honored either. The argument made by the Teamsters Union and the U.S. government was that Mexican trucks and drivers did not meet U.S. safety standards. This announcement about safety concerns was made at the last minute and nothing was done to deal with this alleged defect during the six years after the North American Free Trade Agreement went into effect on Jan. 1, 1994.

The arrangement that has long been in place is for Mexican trucks to bring cargo to designated commercial zones at or near the border, then have the trailer with the cargo unloaded by a drayage truck and reloaded on a U.S. truck to carry the load to its destination. To deal with the dispute, Mexico requested an arbitration panel, the process set up in NAFTA to deal with such problems.

The five-member panel, chaired by a Briton with two panelists each from the U.S. and Mexico, voted unanimously in 2001 that the U.S. had violated its obligations and authorized Mexico to retaliate. Mexico refrained because it did not want to get into a tit-for-tat trade restriction fight with its much more powerful neighbor. Some 80% of Mexican merchandise exports normally go to the U.S., whereas Mexico now receives about 12% of total U.S. exports of goods, making the economic risks in a trade fight much higher for Mexico.

A modest pilot program was put into effect in September 2007. Twenty-six Mexican carriers with 103 trucks signed up to bring cargo to U.S. destinations as a way of testing the safety of these trucks in actual operations. In the subsequent 18 months, Mexican trucks made a reported 45,000 border crossings with no significant accident.

The U.S. Department of Transportation and an independent evaluation commissioned by the department both reported that the safety and out-of-service record of the Mexican long-haul trucks was superior to that of U.S. trucks.

Several efforts were made by Congress to cut off funding for the pilot program, without success, until the action taken in the recent appropriations bill. While the Mexican side showed patience during the many years of the trucking impasse, the decision made by the U.S. Congress was stunning.

It was also incomprehensible other than it may have acted as a repayment of debt owed to the Teamsters Union for its support of the Democrats in the recent presidential and congressional elections. When they were in the Senate, both Barack Obama and Joe Biden voted to cut off funding for the pilot project. The proponents of the funding cutoff repeatedly assert that Mexican long-haul trucks pose a safety danger, ignoring the unbiased evidence to the contrary.

The cutoff action by the Congress sent a clear message to the Mexican authorities that this was the end of the line--the U.S. had no intention of allowing Mexican trucks to operate in the U.S. In effect, Congress dared Mexico to retaliate, and President Obama, by affixing his signature without comment, emphasized this challenge.

These actions come at a time when the Mexican economy is suffering from the spillover effects of the U.S. financial and credit meltdown, and the U.S. demonstrated that political protectionism carried more weight than being a good neighbor. All of this political strife was over 103 trucks at the time the congressional action was taken!

The Mexicans reacted to these challenges as any self-respecting nation would. They also were careful in choosing the products involved. The authorities did not include products that are important in the basic diet of poor Mexicans, staples like corn, beans or meat. The tariff increases are largely between 10% and 20% and cover fruits and vegetables (onions, pears, strawberries and cherries), juices, wine, bottled water, dog and cat food, manicure and pedicure preparations, dental items, shaving material, toilet paper and other products of this nature.

U.S. exports of the items chosen come from 40 U.S. states. Many of the products can be purchased from other countries with which Mexico has free-trade agreements, and the effect of the tariffs should not add much to Mexican inflation.

The action by Mexico may have a salutary effect on future U.S. trade actions in that it demonstrates something that should have been learned from the 1930s, namely, when the U.S. engages in protectionism, other countries are likely to retaliate--and all of us become losers.

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OUR OPINION

A wrong turn for U.S. trade

President Barack Obama's initial forays into trade policy suggest he's been appropriated by protectionists and union bosses. His hints about tampering with the North American Free Trade Agreement have raised eyebrows in Canada, the United States' largest trading partner.

Now he's apparently acceded to demands of big labor and scrapped a pilot project that has permitted Mexican trucks and truckers limited access to U.S. highways. The Mexican government responded immediately with the threat of slapping tariffs on 90 U.S. industrial and agricultural products.

Today's issue: *President kills truck pilot program with Mexico.*

Our position: *Trade policy seems to be shifting toward protectionism.*

The last thing the United States needs in a recession is a trade war, but that's what the Obama administration will get if it continues to pursue protectionist policy.

Exports are the lifeblood of major sectors of the U.S. economy, not the least of which are value-added farm products and manufactured equipment from states such as North Dakota.

The nonsensical "buy-American" provision in stimulus legislation passed by the Democrat-controlled Congress has many U.S. trading partners preparing to respond to the change in American policy. The result could be further damage to U.S. businesses and industries, already hurt by the global recession.

To be sure, concerns about the safety of Mexican trucks and the capabilities of Mexican truckers should not be minimized. But among the pilot program's purposes was to assess those problems and seek solutions. And only 100 trucks and 25 Mexican firms were involved in the latest version of the program.

But no pilot program likely will mean no effort to raise Mexican standards, which looks exactly like what opponents of Mexican trucking want.

Among them is Sen. Byron Dorgan, D-N.D., who has opposed the Mexican program from the start, but now says he's willing to work with the administration to address safety concerns. That's a convenient and empty commitment when the pilot program designed in part to assess Mexican trucking has been scuttled.

NAFTA is not perfect. No trade agreement is. But the alternatives – tariffs, trade wars – are far worse. Mexican trucking might not be as competent as the U.S. industry, although opponents of the pilot program are hard-pressed to find safety violations, driver drug use or sloppy log-keeping in any more frequency than among domestic drivers.

The Obama administration, its allies in Congress and big labor seem to be moving toward a trade strategy that will batter a U.S. economy already in recession. The president, Dorgan and even the International Brotherhood of Teamsters are giving lip service to working with Mexico to make sure "its drivers and trucks are safe enough," but the reality is the big unions just saw their political investment pay off.

Forum editorials represent the opinion of Forum management and the newspaper's Editorial Board

The Washington Post

Editorial: Bad Example

3/23/2009

Mexico's justified retaliation against U.S. trucking protectionism

Monday, March 23, 2009; A14

AS PRESIDENT Obama and many of his supporters articulated it during the 2008 campaign, the case against President George W. Bush's foreign policy emphasized his highhanded treatment of countries with which we disagree. Too often going it alone in pursuit of asserted national interests, the United States under Mr. Bush showed contempt for international law, which alienated existing friends and repelled potential new ones. The new president has made a number of gestures toward correcting America's standing in the world. But on at least one occasion he and his party have acted as if the only thing that matters is what's good for the United States -- or, rather, certain people in the United States.

We speak of the Democratic Congress's recent approval of a law, signed by Mr. Obama, that killed any chance that long-haul freight trucks from Mexico could operate in the United States, as had been promised under the North American Free Trade Agreement. Giving U.S. and Mexican trucks reciprocal access to each other's markets would save fuel and money. An international arbitration panel has also found that the United States is legally required to let Mexican trucks in. Yet the Teamsters union bitterly resisted, claiming that poorly regulated trucks from south of the border would be menaces on U.S. highways.

To meet legitimate safety concerns and this country's legal obligations, the Bush administration promoted a pilot project under which Mexican trucks, screened by U.S. personnel, could operate freely within the United States. The Mexican trucks compiled a safety record comparable to that of American rigs. Almost everyone was happy with the deal -- except the Teamsters, for whom economic turf rather than safety has always been paramount.

Now, in retaliation, the Mexican government has ordered tariffs of 10 to 45 percent on some 90 U.S. products worth $2.4 billion in sales to Mexico each year: These include both manufactured items such as cellphones and agricultural ones such as pears and cherries. Mexico's action is fully legal under the arbitrators' ruling. Indeed, it has refrained from imposing the sanctions for years in pursuit of a negotiated solution. Mexico appears to be holding back on targeting really huge U.S. exports such as corn -- as leverage for the good-faith negotiation with the Obama administration it says it seeks.

However, a settlement of this entirely avoidable dispute, which harms both the U.S. image in Latin America and American consumers, farmers and workers, cannot begin until the Senate confirms former Washington governor Gary Locke as commerce secretary. Ron Kirk, confirmed last week as U.S. trade representative, has been sending equivocal signals. "I believe in trade and will work to expand it, but I also know that not all Americans are winning from it and that our trading partners are not always playing by the rules," he told a Senate hearing. Actually, Mr. Kirk's statement applies in

reverse to the Mexican trucking case. Other countries that aspire to free trade with us will be watching closely to see if the Obama administration can mend the damage that has already been done.

San Antonio Express News

Editorial: U.S. should have foreseen boost Mexican in tariffs

3/23/2009

Neighbors are supposed to behave neighborly toward each other.

Mexico recently announced it will increase tariffs on about 90 U.S. products, and if American officials did not see it coming, they should have.

The announcement came after the U.S. decided to end a pilot program that allowed some Mexican trucks to transport products into this country, a program that seemed to be proceeding smoothly despite the criticism of free trade opponents.

While opening the border to long-haul truckers was a key provision of the North American Free Trade Agreement, the effort was stalled until the Bush administration launched the pilot program, which addressed concerns about safety standards for Mexican drivers.

All was fine until President Obama signed the $410 billion omnibus spending bill, which included a measure killing the pilot program.

The Mexican government reacted quickly and angrily, announcing its plans to boost the tariffs on the U.S. products.

The move will affect about $2.4 billion in trade involving agricultural and industrial products from about 40 states.

"We consider this U.S. action to be wrong, protectionist and a clear violation of the treaty," Economy Secretary Ruiz Mateos told reporters. "By deciding to protect their trucking industry, they have decided to affect other countries and the region."

It is hard to argue with Mateos. You do not have to be a lawyer or a diplomat to know that a deal is a deal. And this is one deal that was broken by the U.S., and now we see the consequences.

Officials said the president has directed both Cabinet members and key legislators to come up with a new trucking program. That is a good start, but all of this could have been avoided if the U.S. had honored commitments that were made long before this administration.

Trust is the key component any relationship between countries, and the U.S. is now in the position of having to rebuild that trust.

The Seattle Times

Editorial: Banning Mexican trucks harms Washington

3/23/2009

President Barack Obama has signed an omnibus spending bill that bans Mexican trucks from the United States. Mexico has retaliated by slapping punitive taxes on some of this state's products. The president needs to settle this dispute so that trade can flow and industry here does not needlessly suffer.

More than 15 years ago, the United States promised Mexico the right to pick up or deliver cross-border cargo anywhere in America by 2000. That was in the North American Free Trade Agreement — NAFTA. Mexico promised the same rights.

When the Clinton administration refused to follow through, Mexico claimed the United States had broken the agreement. Mexico took the matter to a NAFTA tribunal, which ruled in 2001 that Mexico was right.

The Bush administration said it accepted the ruling, but did so only partly. It authorized a handful of trucks to enter the United States in a pilot program. Now, as a result of Congress' action and the president's signature, even those trucks are excluded.

In retaliation, Mexico has slapped tariffs on a long list of U.S. goods, including 20-percent taxes on potatoes and pears. Packers in this state sold $40.3 million in potatoes to Mexico last year, and $33.5 million in pears.

"It's going to be easy for Canada to swoop in and take over that business," said Kathleen Connors, president of the Washington Council on International Trade.

The ostensible reason to block Mexican trucks is that they are unsafe. It is a false reason. Mexican trucks are the same sort as used in America. Many are Kenworths. The real reason is that some people benefit, or think they do, by having cargoes unnecessarily transferred from one country's trucks to the other's at the border.

Several years ago, when Barack Obama and Joseph Biden were senators from Illinois and Delaware, respectively, both voted to exclude Mexican trucks. The president and vice-president serve the nation now, and need to take a more statesmanlike view of its commercial interests.

Arizona Daily Star

Editorial: US hurts itself by prohibiting Mexican trucks

3/20/2009
Our view: Trade war will result in loss of jobs if fewer American goods are sold

The United States has no one but itself to blame for tariffs that Mexico has imposed on U.S. products. By acting in a protectionist manner and prohibiting Mexican trucks on U.S. highways, the Obama administration might destroy more American jobs than it safeguards.

Mexico announced Wednesday that it was hiking tariffs on 89 American-made products in retaliation for the U.S. government ending a pilot program that allowed some Mexican trucking companies to operate in the United States. The tariffs went into effect Thursday.

Free access by foreign trucks is mandated by the North American Free Trade Agreement, which was signed by the United States, Canada and Mexico. Canadian trucks have operated in the United States without any limits for years. Mexican trucks were supposed to have gained full access by 2000, but partial entry wasn't granted until 2007 by the Bush administration.

Funding for Bush's pilot program ended last week when Obama signed a government spending bill into law.

Dropping the program will surely cost many American manufacturing workers their jobs because the products they make will be more expensive for Mexicans to buy.

Not only is the United States not living up to an agreement, it is doing so for political and imaginary reasons.

Mexican trucks have been opposed by the Teamsters union, some consumer groups and independent insurers, the Associated Press reported this week.

The Teamsters have been the most vocal, saying Mexican trucks are unsafe. What the union is really trying to do, however, is protect its members' jobs by ensuring that there is less shipping competition.

What's good for the Teamsters, is not necessarily what is best for our country, which has always prided itself on letting the free market decide winners and losers.

In 2007, Teamsters President Jim Hoffa went so far as to suggest that Mexican trucks could by used by terrorists to attack the United States. "The weapons of mass destruction George Bush is looking for could be in the backs of these trucks," he said.

The terrorist argument is simply a scare tactic as Mexican trucks are thoroughly inspected when the come into the United States. The safety argument, meanwhile, has proved unfounded.

Under Bush's pilot program Mexican trucks were checked in Mexico by U.S. inspectors. The vehicles were examined again at the border.

The Mexican government said Wednesday that under the pilot program about 46,000 Mexican trucks crossed into the United States and experienced few of the safety problems opponents suggested would occur, the AP reported.

The new Mexican tariffs will range from 10 percent on products such as onions and toilet paper to 45 percent on grapes. Those products will instantly become more expensive in Mexico, making it very likely that they won't sell as well.

If those products don't sell, American manufacturers won't produce — and they'll employ fewer Americans when the nation can least afford to lose more jobs.

In a roundabout way, even the Teamsters truckers may lose jobs because they'll be asked to transport fewer products headed to Mexico.

"This doesn't just hurt growers in the U.S., it hurts consumers in both countries," Alison Moore, a spokeswoman for the Nogales, Ariz.-based Fresh Produce Association of the Americas, told the Star's Brian Pederson.

Brian Black, a Texas Agriculture Department spokesman, told the AP: "In these challenging economic times, we need more open markets, not higher tariffs. We are asking President Obama and his Mexican counterpart to resolve this issue as soon as possible."

We agree.

With the economy becoming more global, the United States must encourage and engage in free trade. Protectionism will hurt the nation in the long run. If foreigners don't buy U.S.-made products, they'll buy goods made somewhere else.

The United States must abide by NAFTA and treat Mexican truckers fairly. The Obama administration should give Mexican trucks equal access to American highways. It's what's good for business, the economy and for American workers and consumers.

The New York Times

Editorial: A Small and Dangerous Spat

3/19/2009

President Obama has been warning that tit-for-tat protectionism could drive the world into an even worse economic slump than it is already in. He is right. Unfortunately, Congress doesn't seem to be listening.

The $410 billion spending bill that Mr. Obama signed into law last week cuts off financing for a pilot program that allows Mexican trucks to deliver goods across the United States. The move clearly violates the North American Free Trade Agreement, which promised — starting in 2000 — to open cargo transport throughout the United States, Mexico and Canada to carriers from all three countries. This week, Mexico retaliated, leveling tariffs against $2.4 billion worth of American imports.

Both the United States and Mexico must be careful. A full-fledged fight could threaten more than $350 billion in annual commerce between the two countries. That is clearly in nobody's interest.

An arbitration panel ruled in 2001 that the United States was in breach of its Nafta obligations on Mexican trucks. But thanks to the Teamsters union and its allies in Congress, all but a small number of Mexican carriers are restricted to operating within a 25-mile band from the border.

The truck drivers' argument that Mexican trucks are unsafe is spurious — a flimsy cover for protectionism. Data from the Department of Transportation show that Mexican trucks and drivers operating in the United States — along the border and in the pilot program — have a better inspection record, with fewer violations, than their American counterparts.

President Obama has so far shown a worrying ambivalence about trade. He has called for renegotiating Nafta, creating anxiety in both Ottawa and Mexico City — claiming that this can somehow be done without harming trade. While he managed to persuade Congressional Democrats to water down a "Buy American" provision in the fiscal stimulus package, he did not get them to pull it altogether.

We understand the White House did not want to threaten the passage of the spending bill by raising a ruckus over Mexican trucking, a comparatively minor issue. But it is time for Mr. Obama to put some political muscle behind his declared support for open trade.

He can start by persuading Congress to revive the truck pilot program or start a new one. And he must make clear that — sometime soon — all properly inspected Mexican trucks must be able to work throughout the country, as Nafta requires. That would not only solve this trade spat, but it would provide the world with needed reassurance that the United States will stand by its trade agreements in these difficult times.

The Dallas Morning News

Editorial: Honor-bound on NAFTA trucks

3/19/2009

Fresh from confirmation as the U.S. trade representative, former Dallas Mayor Ron Kirk faces an unavoidable crisis with Mexico, America's No. 3 trading partner. But confront he must, because this problem has been allowed to fester far too long.

Mexico has justifiably lost patience after dawdling and delays by successive U.S. administrations on implementing NAFTA requirements granting Mexican trucks access to U.S. highways. The tipping point occurred last week when Congress canceled a pilot program allowing some Mexican trucks in.

The program's goal was to see whether Mexican companies could meet U.S. inspection and equipment standards. They surpassed the standards, which multiplies the unfairness of Congress' decision. Mexico retaliated yesterday by slapping tariffs of 10 percent to 45 percent on a $2.4 billion list of 89 U.S. products.

This is serious. A trade war with Mexico is the last thing cash-strapped American employers need. Sales will drop, consumer prices will rise, and some companies might shut down when their export markets shrivel. That means more unemployment and a deepening economic crisis in the short term.

For the long term, Mexico's retaliatory action signals the unraveling of a longstanding trade partnership. For 15 years, the North American Free Trade Agreement has dismantled restrictions and tariffs that impeded the flow of goods and commerce between the United States, Canada and Mexico.

President Barack Obama, clearly no fan of NAFTA, should intervene immediately on the principle that America honors its treaty obligations. He should not only seek reinstatement of the pilot trucking program but enactment of rules that will allow qualified Mexican truckers to gain the full access that America was obligated under NAFTA to grant them after 1999.

U.S. truckers will trot out their tired old arguments that Mexican trucks are unsafe, pollution-belching death machines whose drivers are unqualified to sit behind the wheel. But federal statistics indicate that these arguments are hogwash. The real reason American truckers want to block this NAFTA provision is because they fear the competition.

Obama has every right to renegotiate NAFTA down the road. But for now, the treaty in hand is the one America is legally bound to honor.

Wall Street Journal March 18, 2009
Mexico Retaliates

When the U.S. closed the southern border to Mexican trucking last week -- in violation of the North American Free Trade Agreement -- Mexico promised to retaliate. Yesterday it did, releasing a list of 89 U.S. products that will face new tariffs of 10% to 45%.

Mexico's decision wasn't taken lightly. Since 1995, three successive Mexican administrations have worked to get the U.S. to respect its Nafta obligation of allowing long-haul trucks across the border. In 2007 the two countries agreed to a pilot program that permitted a limited number of Mexican carriers into the U.S. under rigid safety regulations. After 18 months that program proved that Mexican carriers are as safe as their U.S. counterparts. That was bad news for the anti-competition Teamsters union, and last week it got Congress to kill the pilot program. Yesterday Mexico fired back.

Trade wars are never pretty. But given the downturn in demand that already exists in the U.S. economy, this one could be ugly, and dangerous. Mexico is the U.S.'s third largest trading partner and the new tariffs will affect some $2.4 billion in goods across 40 states.

California, an important supplier of fresh fruits, dried fruits and nuts to Mexico, will be hit hard. Table grapes will face a 45% duty at the Mexican border; wine, almonds and juices among other agricultural products will pay 20%. Some 90% of Christmas-tree exports from California and 65% from Oregon go to Mexico. It's doubtful volumes will hold up beneath a 20% tariff.

Alongside Oregon, Washington state will pay dearly to protect the Teamsters. Four out of 10 pears that the U.S. exports go to Mexico and half of those come from Washington. Under the new rules, American pears now face a 20% tariff, as do a host of paper products from the Pacific Northwest and Wisconsin.

Wisconsin's scrap battery industry, which exports $128 million annually to Mexico, won't be as competitive after it pays a 20% tariff. Nor will New York's $24 million annual exports in personal hygiene products or its exports of $250 million in precious-metals jewelry. President Obama's home state of Illinois can't be happy to learn it will lose competitiveness under a 20% tariff on its plastic tableware and kitchenware exports to Mexico ($57 million annually) and on its printed leaflets and brochures ($68.7 million).

North Dakota Senator Byron Dorgan sponsored the amendment that closed the border and his constituents will pay. North Dakota only exports $1 million in oil seeds annually but 80% of that goes to Mexico. They now face a 15% tariff.

With the cost of imported U.S. products now higher, Mexicans will substitute these U.S. brands with products from Europe, Canada and Latin America. The retaliation appears to take care not to punish Mexican consumers or producers nor give new protection to any special interest in the domestic market. Its purpose is to focus Washington on its Nafta commitments.

While Americans wait for that moment, U.S. exporters will lose market share. That will put more American jobs, household incomes, and, yes, even mortgage payments at risk. President Obama said earlier this week that he wants to work with Congress to see if he can reopen the border. When he sees how much banning trucks is going to cost the flat U.S. economy, he may want to step on it.

Please add your comments to the Opinion Journal forum.

San Jose Mercury News

Editorial: Obama must head off trade war over Mexican trucks

3/18/2009

Economic recessions tend to feed dangerous protectionist instincts, so it's no surprise they're surfacing now in Congress. President Obama must quickly intervene to thwart the latest measure and prevent a trade war with Mexico, America's third-largest trading partner.

The dispute is over Mexican trucks on U.S. highways. The federal budget that Obama signed this month ends a pilot program that allows up to 500 Mexican trucks to operate across the border with no restrictions. In retaliation, Mexico's economy minister announced that Mexico would slap import tariffs on 90 American products produced in 40 states and valued at $2.4 billion.

The Obama administration is promising to resolve Congress' objections and get another pilot project up and running. But the president should have headed off this confrontation. Keeping Mexican semitrailers out of the U.S. is a clear violation of NAFTA. Obama shares responsibility for this mistake because of his rhetoric during the presidential campaign, promising to open up and rewrite NAFTA. This tone no doubt encouraged Democrats in Congress to push regressive trade policies, such as the Buy America clauses in the stimulus package.

Under NAFTA, Mexican truckers were to have been permitted on U.S. roads, just as Canadian truckers are. But 15 years after the treaty was signed, Mexico remains shut out, prohibited from sending its trucks more than 20 miles from the border except in Arizona, where it's 75 miles. Mexican goods must be unloaded onto American trucks, which placates the Teamsters but is expensive and pointless. Unions warned of unsafe trucks, but during the 18 months of the pilot program lifting the limit for some trucks, inspection records have not shown safety violations.

The Senate voted to derail the pilot program once before, but President Bush found a way around it. Obama must move quickly, too — both to head off a border crisis and to tell the rest of the world this is no time to abrogate trade agreements and impose new restrictions. The United States has too much to lose.

San Diego Union Tribune

Editorial: The first shot

3/18/2009

Obama triggers Mexican trade retaliation

As the American economy continues to deteriorate and U.S. exports decline sharply, the rumblings of a self-inflicted trade war are starting to be heard.

This is an ominous turn for President Barack Obama, who started the trade dispute by signing a bill to prohibit Mexican trucks on U.S. highways outside of a 20-mile zone along the border – in glaring violation of the North American Free Trade Agreement. In retaliation, Mexico has announced it will impose stiff tariffs on about 90 U.S. products from 40 different states, an action that will further reduce U.S. exports just as the economy is reeling from a deepening recession. Mexico's economic retaliation is expressly permitted under NAFTA in response to the U.S. breach of the treaty.

Obama and the Democratic majorities in the House and Senate caved in to pressure from the powerful Teamsters union, which has long sought to prohibit Mexican truckers from competing in the U.S. market. As part of a mega-spending bill approved last week, a pilot program allowing Mexican trucks partial access to U.S. highways was summarily scrapped.

Scrambling to contain the gathering trade war, Obama promptly announced he would seek legislation to reinstate a pilot program for Mexican trucks – the very thing he killed with his signature on the spending bill. The president's credibility is perilously thin, however. Never mind that this is yet another example of the president's saying one thing and doing just the opposite. His pandering to organized labor during the presidential campaign also included an ill-advised call to renegotiate NAFTA.

Under such circumstances, Mexico can hardly be blamed for exercising its legitimate rights under the trade treaty.

The Arizona Republic

Editorial: U.S. in the wrong by blocking Mexican trucks

3/18/2009

America is picking a food fight with Mexico over trade. Congress set it off by canceling a pilot program that allowed Mexican trucks to operate on U.S. highways - a blatant violation of the North American Free Trade Agreement.

Mexico responded Monday by announcing that it will jack up tariffs on 90 U.S. agricultural and manufactured products. About $2.4 billion worth of exports from 40 states will be affected.

With the economy in tatters, it's no time to mince words: The United States is in the wrong. Under NAFTA, we agreed to give Mexican trucks access beginning in 1995, increasing efficiency and lowering costs for consumers.

But U.S. trucking interests and unions have been trying to block the move for years with scare stories about safety. Actually, thousands of Mexican trucks, which were grandfathered in, have operated safely here for years. The pilot program set high standards for vehicles and drivers. The real issue isn't safety but competition and profits.

President Barack Obama, who was cool to NAFTA during the campaign, must step up to ensure the United States finally follows its treaty obligations. The White House says he is working on a new version of the pilot program that responds to congressional concerns. It needs to happen quickly.

Sen. John McCain, R-Ariz., is sounding a timely warning that this dispute could lead to more protectionist measures.

Around the world, countries are considering trade barriers that could have disastrous consequences for the world economy. The United States must put the brakes on trade restrictions, not fuel them.

Let the trucks roll.

Mexican tariffs will cost Oregon 'millions'

by Richard Read, The Oregonian

Wednesday March 18, 2009

Mexico's sudden decision to slap tariffs on 90 U.S. products -- effective tomorrow -- will likely cost Oregon exporters millions of dollars a year, a state agriculture official says.

The duties, levied in retaliation for a U.S. move to ban Mexican trucks from the United States, include 20 percent tariffs on Christmas trees, pears and potatoes, all of which Oregon sells to Mexico.

"It's extensive," says Amanda Welker, trade manager at the Oregon Agriculture Department, which is just beginning to assess the costs.

It's too soon to say whether the spat could escalate into a trade war, says Edgar Navas, trade director at Nafta Group, a Portland consultancy. But protectionism is growing worldwide amid the global economic crisis, he says.

"You take the economic panic, and it's very prone to nationalistic reactions and pseudo-patriotism," says Navas, who faults the International Brotherhood of Teamsters union for provoking Mexico over the trucking issue. "It's just going to accentuate the economic crisis."

Oregon sold $748 million worth of goods last year to Mexico, the state's eighth largest foreign customer. Among those were onions, which Mexico has targeted for a 10 percent tariff.

The tariffs will also especially hit Christmas-tree growers, who have counted on Mexico as a $20 million-a-year customer. Producers of pears and frozen potatoes will be hurt.

"A lot of products that are in transit will be affected," Navas says. "It's going to hit the entire West Coast -- California, Oregon, Washington ... and Idaho."

The Wall Street Journal

Editorial: The Teamsters War

3/17/2009

President Obama often campaigned as a trade warrior, and now he's getting his wish. Mexico announced yesterday that it will raise tariffs on 90 U.S. products, affecting some $2.4 billion in goods across 40 states. The move was retaliation for the recent decision by Congress, signed into law by Mr. Obama, to close the Southern U.S. border to Mexican trucks.

Proponents cloaked the decision in safety language, insisting that the Mexican trucks are a road hazard. However, a federal pilot program has shown that Mexican trucks actually have fewer violations than do American. The real hazard here is the new Administration's obeisance to the Teamsters, who endorsed Mr. Obama early in the 2008 Democratic primaries and demanded the trucking shutdown.

Before Mexico's retaliation, Teamsters spokesman Bret Caldwell told the Los Angeles Times, "we've already lost the trade war with Mexico . . . there is nothing more that Mexico could do to us that is worse than what they've already done." We're not sure the U.S. makers of (so far unspecified) farm and industrial products now facing Mexican tariffs will look at this protectionist outbreak so cheerfully.

By rejecting Mexican trucks, the Administration violated the North American Free Trade Agreement and picked a needless fight with a good neighbor. The White House scrambled yesterday in the wake of the Mexican announcement, saying it wants to work with Mexico to come up with a new trucking plan. But unilateral treaty violations aren't the way to get other nations to negotiate concessions.

President Obama may think 90 products is no big deal, but from such little tariff fights do larger trade wars sometimes develop. Especially in a time of economic hardship, populist and nationalist passions are dangerous and can be hard to control. Mark this episode as another early example in which Mr. Obama has refused to stand up to a powerful Democratic interest group, with damaging consequences.

FMCSA chief: report shows U.S.-Mexico truck travel can be safe, generate business opportunities

Trucks participating in the demonstration project had no crashes, the report said. (Associated Press)
The Trucker News Services

11/6/2008

WASHINGTON — An independent evaluation panel's report on the U.S.-Mexico cross-border trucking demonstration project shows an open border strategy can assure safety and business opportunities, the head of the Federal Motor Carrier Safety Administration (FMCSA) said today.

The report was prepared at the request of Secretary of Transportation Mary E. Peters by Mortimer L. Downey III, chairman of the board of PB Consult Inc., James T. Kolbe, senior advisor at McLarty Associates and a professor in the college of business at the University of Arizona, and Kenneth M. Mead, a special consultant at Baker Botts LLP and former inspector general of the Department of Transportation.

"This report provides a comprehensive, independent, analysis of the safety measures the agency put in place to ensure the success of the project," FMCSA Administrator John Hill said. "As the report makes clear, those measures have effectively shown that U.S. and Mexican carriers can safely engage in cross-border trucking operations while providing U.S. drivers new opportunities to compete and succeed in a market where they previously were unable to operate."
The report notes that the level of participation fell far short of what DOT had projected with only 29, not the anticipated 100, participating.

Hill has repeatedly said the uncertainty of the program is the result of continued attempts by some in Congress to shut down the project, and the primary reason for the lower-than-expected participation. Among other findings:

• Demonstration trucks had no reported crashes.

• The DOT has honored its commitment to check every truck everytime.

• FMCSA and state safety enforcement officials reported no crashes involving Mexico-domiciled trucks participating in the demonstration project. During the project, more than 7,000 safety inspections were conducted on the participant drivers and more than 1,400 safety inspections on the participant trucks, in addition to the every-truck-every-time checks done at the border-crossing facilities used by the OP-1 carriers.

• Of the 7,000 driver safety inspections, 37, or less than 1 percent, resulted in out-of-service (OOS) violations.

• The panel's work "verified" that FMCSA implemented policies and regulations regarding admitting Mexico-domiciled carriers into the demonstration project, establishing safety mechanisms at the border, ensuring enforcement of safety rules by state enforcement officials, and carrying out the Department's commitment to check every truck and every driver every time. More specifically, the report said the authors found that (1) the Pre-Authority Safety Audits (PASAs) were comprehensive and the agency conducted all the audits on-site in Mexico, (2) that FMCSA honored its commitment to check every truck every time at the border, and (3) that FMCSA provided state safety enforcement officers with guidance on enforcing safety requirements for the demonstration project.

A full copy of the report can be found at **http://www.dot.gov/affairs/PanelReport.pdf**.

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As Mexican Trucker Stand-Off Continues, Arizona State Professor Gets Grant to Help Mexican Drivers Better Operate on US Highways

2008 AUG 31 PM 4:30
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Accrediting Drivers May Ultimately have Bigger Impact than Trucking Firms Themselves; Is Safety a Real Concern or Not?

SCDigest Editorial Staff

As an almost literal "Mexican Standoff" continues between the Bush administration and Democratic members of Congress over controversial plans allowing Mexican trucking companies to operate in the US (see Mexican Trucking Program Promised by NAFTA Defies Efforts to Kill It, Though Pulse is Far from Strong), **Arnold Maltz**, a well-known supply chain academic from Arizona State University, has secured a grant to help get Mexican drivers better trained to drive on American roads.

Right now, the pilot program (originally promised in 1994 under the NAFTA accord), lets a limited number of Mexican trucks operate on US highways without the usual restrictions (a short 25-mile "commercial zone"), and the same for a similar number of US carriers in Mexico. Participation, however, has been limited on both sides, in part because of political uncertainty as to whether even the pilot would continue, let alone develop into a permanent program.

Despite some Congressional objections and attempts to cut funding for the program, the US Department of Transportation recently extended the pilot for two more years, in part to ease carriers concerns on both sides about the initiative's longevity.

A permanent program would eliminate some significant logistics inefficiencies, as cross-border shipments require hand-offs to domestic trucking firms, and sometimes to an intermediate carrier to connect the two long-haul providers.

A permanent program would eliminate some significant logistics inefficiencies, as cross-border shipments require hand-offs to domestics trucking firms, and sometimes to an intermediate carrier to connect the two long-haul providers.

The opportunities for efficiency may really take off upon ultimate completion of the CANAMEX (Canada-American-Mexico Corridor) project, which links Pacific ports in western Mexico to Canada through Arizona, Utah, Idaho, Nevada and Montana. About $4 billion worth of highway and infrastructure improvements are planned, with a number of them already completed.

Another dynamic is the increased interest in "nearshoring" by US and Canadian companies to Mexico, as manufacturing costs and risks in Asia and China continue to climb. As more companies consider or make such a move, it will put even more focus on achieving logistics efficiency gains.

There certainly are a number of potential cost savings to shippers on both sides of the border. For example, forwarding agents on the Mexican border generally charge $100-$150 per load to facilitate the handoffs.

Training Drivers and Supervisors

The ability of trucking firms to cross the border without restrictions could have a big impact, but perhaps not as much as another possibility –that

As Mexican Trucker Stand-Off Continues, Arizona State Professor Gets Grant to Help Mexican Drivers Better Operate on US Highways (Con't)

US trucking firms and private fleets could hire Mexican drivers directly. Many have said such a move would go a long way to reducing the current and predicted driver shortage that is plaguing many sectors of the trucking industry.

"American carriers cannot, technically, employ Mexican drivers right now," Maltz said in a recent interview. "They can work with Mexican carriers, but only on international traffic."

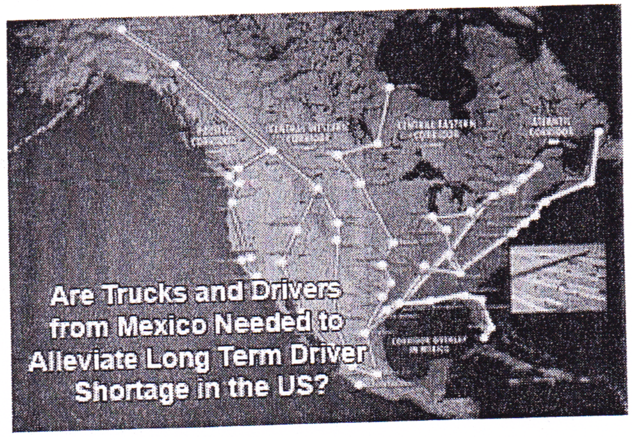
Maltz supports the idea of allowing both Mexican carriers and drivers into the US, noting that while it may have a negative effect on driver wages in the short run, driver demographics and the apparent lack of interest by younger Americans in jobs as truck drivers means it may be best for the economy and supply chain efficiency in the long term.

"The presence of another driver pool is likely to put pressure on salaries, but in the long run we are heading for a driver shortage," he said.

Maltz also said the concerns about safety seem to be overblown.

"At this point, based on the DOT measurements, on long-haul Mexican trucking, there's not any difference in safety records or any difference in equipment out-of-service rates,' Maltz says. It is widely believed that illegal immigrants provide a high percentage of the local drayage drivers in many West coast ports currently.

Many forget that in addition to the current program, there were already about 1000 Mexican carriers grandfathered in under a 1982 moratorium and which still enjoy unlimited access to the United States – with little apparent problems.



Maltz's grant focused on two primary issues, both related to language barriers:

- Getting a consistent, supportable test together for the Federal Motor Carrier Safety Administration (FMCSA) inspectors at the Border, so that if more Mexican carriers participate, they can reliably determine that drivers speak enough English to be effective in the US.
- Setting up a program of training to make sure Mexican and other "Limited English Proficiency" drivers can become fluent enough in English to be safe, effective drivers in the United States.

A committee that fleshed out details on transportation rules following passage of the main NAFTA agreement set a policy statement that drivers operating in each other's country need "to be able to communicate in the country in which the driver/carrier is operating so that safety is not compromised."

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DETROIT NEWS

Monday, August 25, 2008

Editorial Rebuttal

Mexican trucks get held to strict standards

Teamsters President James Hoffa claims to place a high value on truth, yet he continuously misstates the facts and conveniently disregards the facts that do not support his case ("Bush lets Mexican trucks menace America's roads," Aug. 8). He is misleading the public and denying U.S. truckers access to new markets and U.S. consumers' access to new savings.

The facts paint a very different picture of the significant safety and operational protections put in place as part of a historic effort to open Mexican markets to U.S. truckers and end needless inefficiencies that delay shipments and pollute the air along our southern border.

Under the Department of Transportation's Cross Border Truck Demonstration project, every Mexican carrier is thoroughly inspected and held to even stricter safety standards than U.S. and Canadian carriers: driver training; verification of a U.S. insurance policy; full compliance with hours-of-service regulations; vehicle maintenance; ability to communicate in English; and drug and alcohol testing. In fact, Mexican trucks and drivers have established compliance rates equal or better to those of U.S. trucks and drivers.

During the last few months, more American truckers have been able to profit from running shipments to and from Mexico than ever before thanks to the new access this program provides.

We have met and exceeded every requirement established by Congress, both safety and otherwise, for implementing our obligations under the North American Free Trade Agreement and in following legislative mandates to move forward with this program. As a result, we are supporting our economy by saving consumers' money, reducing shipping costs and giving U.S. trucking companies and drivers new opportunities.

At a time of surging goods exports, we could hardly choose a worse time to raise the cost of consumer goods, deny U.S. truckers new opportunities or embrace the myopic mythology of xenophobic protectionism.

John H. Hill

Administrator

Federal Motor Carrier Safety Administration

U.S. Department of

Transportation

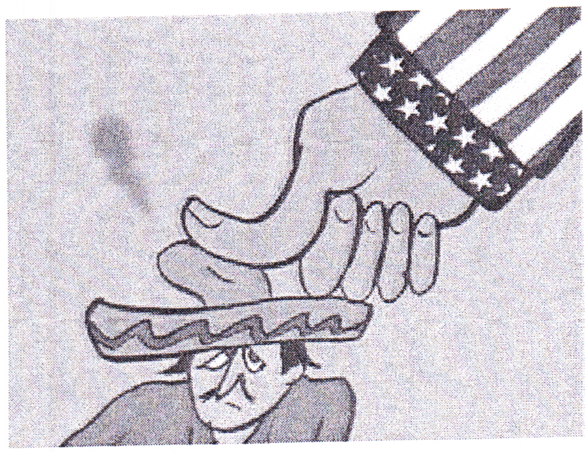
Washington, D.C.

Economist.com
North America

The dangers of Mexico-bashing

Jun 19th 2008
From The Economist print edition

America's politicians damage their own country by insulting its southern neighbour



A CENTURY ago Porfirio Díaz, a Mexican dictator, lamented the fact that his country was "so far from God and so close to the United States". The difference today is that Mexico has swallowed its doubts and bound itself to the Great Satan through the North American Free-Trade Agreement (NAFTA). And having become a democracy, too, Mexico's close partnership with the United States is nowadays based on common values as well as common interests.

Or so it thought. Over the past couple of years Mexicans have had to watch as their country has been the victim of some decidedly unfriendly treatment from its neighbour. This began when the American Congress, largely at Republican urging, squashed attempts to regulate migration, opting instead to build a fence along stretches of the Mexican border.

Next, the candidates in the Democratic primary tried to outdo each other in their hostility to NAFTA. Barack Obama, like Hillary Clinton, called for the treaty to be scrapped, or rewritten to include more labour and environmental safeguards. What was odd about this was that the source of their anxieties—an alleged hollowing-out of American manufacturing—has much more to do with competition from China than from Mexico.

To add insult to possible injury, there is a wrangle over anti-drug aid. On taking office as Mexico's president in 2006, Felipe Calderón cracked down on powerful, well-armed drug mafias. These had thrived, largely unmolested, for decades, infecting the police and politics. Mexico lacks a national police force. So while he tries to create one Mr Calderón has deployed the army. So far this year some 1,600 people have been killed in drug violence, including 450 police and soldiers.

Since this is a fight Mexico's democracy cannot afford to lose, Mr Calderón has taken a historic step for his proud country and turned to the United States for help. The Bush administration offered $1.4 billion over three years, much of it for helicopters, communications gear and training. This is hardly extortionate, given that America's consumers of illicit drugs are the main source of Mexico's drug problem, that American gun shops along the border supply the mafias with weapons and that many of the chemicals for Mexican methamphetamine production pass freely through Californian ports.

And yet the Democrats in control of Capitol Hill could not resist the temptation to tie the assistance to conditions that Mexicans are entitled to consider humiliating. One such was to make the first $400m tranche of aid contingent on Mexico promising that any troops accused of abuses should face civilian trials. However desirable such a policy may be, seeking to impose it in this way was to treat Mexico as if it were Myanmar. Fortunately a compromise is now in sight that may satisfy pride on both sides.

Try some simple courtesy, for a change

Even so, there is a lesson here, for Mr Obama and the Democrats in particular. (To his credit, John McCain championed the failed immigration reform and is a fervent advocate of NAFTA.) Mexico has obvious flaws. Its monopolistic economy has failed to create enough jobs to keep its young people at home. Its police and judiciary are sometimes venal and often incompetent. It will never be as influential as China, a country America knows it must placate as well as chide.

But it behooves Americans to show it more respect. Mr Calderón is trying to do many things that are in America's interest as well as Mexico's, from reining in drug gangs to allowing private investment in a declining state-owned oil industry. Mexico's stance towards its neighbour was long prickly and uncooperative. It could turn that way again. In an election year, Mexico-bashing may seem tempting. But it is short-sighted as well as unstatesman-like. And since most Hispanic-Americans have Mexican roots, it might even cost votes.

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